

Testimony
Senate Bill 2012 – Department of Human Services
Senate Appropriations Committee
Senator Holmberg, Chairman
January 8, 2007

Chairman Holmberg, members of the Senate Appropriations Committee, I am Blaine Nordwall, Director of Economic Assistance Policy Division, of the Department of Human Services. I am here today to provide you with an overview of the budget area Economic Assistance.

Programs

Economic Assistance Policy (EAP) is responsible for eligibility policy for Basic Care Assistance and for all aspects of state level administration of Child Care Assistance, Energy Assistance, Food Stamps, and Temporary Assistance for Needy Families (including the Job Opportunities and Basic Skills program). This work involves:

- Distributing benefits to recipients and payments to providers;
- Directing and supervising county social service board administration of EAP programs;
- Implementing all applicable state and federal law;
- Providing training, written instructions, and interpretations concerning program requirements;
- Operating electronic eligibility determination and reporting systems; and
- Preparing required state and federal reports.

Economic Assistance Policy is also responsible for Quality Control reviews of Food Stamps, Healthy Steps, Medicaid, and TANF eligibility

determinations, and recovery of Medicaid expenditures from decedents estates.

Caseload

Basic Care Assistance will direct and supervise county social services' determinations or redeterminations of eligibility for approximately 480 residents of licensed Basic Care facilities.

Child Care Assistance will direct and supervise county social services' determinations or redeterminations of eligibility for approximately 4,250 children from 3,070 families each month, and will pay the approximately 4,223 licensed, certified, or approved child care providers a total of about \$880,692 per month.

Food Stamps will direct and supervise county social services' determinations or redeterminations of eligibility for approximately 20,600 families each month, and will pay approximately 450 grocers in North Dakota a total of about \$4,459,083 per month.

Energy Assistance will direct and supervise county social services' determinations of eligibility for approximately 16,300 households each heating season, and will pay about 400 energy providers. Approximately \$18,000,000 is budgeted for each heating season.

Temporary Assistance for Needy Families (TANF) will direct and supervise county social services' determinations or redeterminations of eligibility each month for approximately 2,750 families with 5,133 children, providing an average monthly cash benefit of \$340 for each family, while Job Opportunities and Basic Skills (JOBS) will secure services to facilitate

family self-sufficiency each month for approximately 1,350 adult heads of household at an average cost of about \$455 per household.

Using TANF funds for children who would otherwise be in foster care, Kinship Care will direct and supervise county social services' determinations or redeterminations of eligibility each month for approximately 50 children, providing an average monthly cash benefit of \$350.

Major Program Changes and Challenges

TANF -

Congress reauthorized the TANF block grant in February 2006 as part of the Deficit Reduction Act of 2005 (DRA). Congress made two changes that caused widespread concern:

1. The TANF federal law has since Federal Fiscal Year (FFY) 2002 required that 50% of all TANF families be engaged in a qualified "work activity" for 30 hours or more per week (20 hours if the family includes a child who has not attained six years of age). States get a "caseload reduction credit" in meeting the work participation requirement. The DRA changed the base year for calculating the caseload reduction credit from FFY 1995, when Aid to Families with Dependent Children (AFDC) caseloads were quite high, to FFY 2005, when national TANF caseloads were at historic lows. The effect in North Dakota of this change was to greatly decrease the caseload reduction credits. Failure to achieve a 50% work participation rate can lead to severe fiscal penalties.

2. The federal TANF law originally defined the term “work activity,” but allowed states to determine what activities were within that definition. The DRA gave federal officials authority to require nationally uniform definitions, and to require states to secure verification that work activity hours are accurately claimed. Federal officials proposed strict requirements for definitions and verifications, with initial work verification plans due September 30, 2006.

North Dakota has, on average, achieved the required 50% work participation rate since October of 2005 without using caseload reduction credits. The October 2006 data shows that 71.42% of TANF families are meeting the work participation requirements.

The department timely submitted its TANF work verification plan. Federal officials then issued “additional guidance,” effective December 31, 2006, and have required all States to submit revised TANF work verification plans by February 28, 2007.

Food Stamps -

The Food Stamp Program is scheduled for reauthorization at the end of FFY 2007. At this point, no bill has been introduced in Congress, and we cannot know what changes the department will be required to implement.

Federal Food Stamp laws require benefits to be distributed using an “Electronic Benefits Card” (EBT). In 1996, North Dakota and South Dakota started the first multi-state EBT system. Our EBT provider contract is expected to run through June 30, 2009, but we must reprocure those services for later periods. We began working with South

Dakota officials on a joint procurement effort in 2005, and expect to release a request for proposals in March. Procurement and implementation of a new EBT system is challenging and time consuming. This budget requests needed funds for procurement costs, including a consultant and hiring temporary staff to assist while experienced Food Stamp staff work on the reprocurement effort.

Payment Error Rate Measurement (PERM)-

The Centers for Medicare and Medicaid Services (CMS) issued interim final rules on August 28, 2006, requiring each state to undertake both Medicaid and Healthy Steps PERM eligibility reviews on a three-year cycle. However, they also required that PERM eligibility reviews be undertaken for both programs at the same time. This major review of a year's eligibility work in both programs at three-year intervals will be significantly more difficult to manage than a more balanced schedule.

Overview of Budget Changes

Description	2005 - 2007 Budget	2007 - 2009 Budget	Increase / Decrease
Salaries	4,099,027	4,667,180	568,153
Operating	12,086,602	11,036,283	(1,050,319)
Capital Assets	1,981	205	(1,776)
Grants	197,583,613	201,532,735	3,949,122
Total	213,771,223	217,236,403	3,465,180
General	7,432,148	8,462,990	1,030,842
Federal	187,335,325	189,515,189	2,179,864
Other	19,003,750	19,258,224	254,474
FTEs	40.80	39.80	(1.00)

- The increase in salary and fringe benefits is the cumulative result of:
 - The salary and health insurance package that adds \$326,191 in total funds of which \$150,132 is general funds;
 - An increase for anticipated retirement payouts and to maintain current staff salaries that adds \$111,994 in total funds of which \$110,714 is general funds; and
 - Increases in the salary area that result from temporary salaries associated with the Food Stamp EBT reprocurement that adds \$129,968 in total funds of which \$47,347 is general funds.

- Operating decreases are \$1,050,319, with a general fund decrease of \$77,988, and a decrease in federal funds of \$1,097,331. These are the major factors:
 - Reductions to JOBS contracting expenses of about \$460,000;
 - Reductions to PERM contracting expenses of about \$201,000;
 - Reductions to Food Stamps "Employment and Training" services outlays of about \$169,000;
 - Decrease of \$500,000 in funding for the Alternatives to Abortion Program which is effective only through June 30, 2007; and
 - A partially offsetting increase of \$250,000 for costs associated with the reprocurement of EBT services for the Food Stamp program.

- Capital assets decreased with the planned payoff of the bond at Southeast Human Service Center, which houses one EAP central office staff.
- Grants increased \$3,949,122, reflecting an \$801,526 increase in general funds, a \$3,018,122 increase in federal funds, and a \$129,474 increase in other funds; all a net of these changes:
 - \$425,026 increase in Indian County allocation, all general funds, based on the statutory funding formula;
 - \$1,820,020 decrease in TANF grants, reflecting a \$376,500 increase in general funds, a \$1,334,030 decrease in federal funds, and an \$862,490 decrease in other funds, based on caseload projections;
 - \$455,520 increase in JOBS transportation costs, all federal funds, based on need projections;
 - \$826,516 decrease in Child Care Assistance grants, reflecting a \$1,825,440 decrease in federal funds, and a \$998,924 increase in other funds, based on available federal grants;
 - \$200,000 increase in Kinship Care grants, all federal (TANF) funds based on caseload projections;
 - \$52,000 decrease in JOBS Transportation-DOT grants, all federal funds, based on decreased demand;
 - \$13,920 decrease in Food Stamps Employment & Training program, of which \$6,960 is federal funds based on reductions in available federal funding;
 - \$369,838 increase in the Food Stamp Nutrition Education Plan, all federal funds, based on NDSU budget projections;

- \$1,177,333 increase in Food Stamp benefits, all federal funds, based on caseload projections; and
 - \$4,033,861 increase in Energy Assistance benefits, all federal funds, based on estimates of available federal funds.
- The division reduced the number of staff by 1.00 FTE, an administrative support position.

This concludes my testimony. I would be happy to answer any questions.